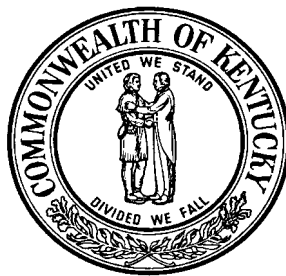


**REPORT OF THE AUDIT OF THE
BRACKEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administrative Cabinet
Honorable Gary L. Riggs, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Bracken County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRACKEN COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Bracken County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Bracken County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$5,962,880 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,741,774 in its governmental activities as of June 30, 2009, with total net assets of \$5,962,880. The fiscal court had total debt principal as of June 30, 2009 of \$426,000 with \$46,000 due within the next year.

Deposits:

The fiscal court's deposits as of August 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$81,328

Report Comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And The Bank Reconciliation Process

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary, Finance and Administration Cabinet

Honorable Gary L. Riggs, Bracken County Judge/Executive

Members of the Bracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bracken County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Gary L. Riggs, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2009 on our consideration of Bracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the following comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And The Bank Reconciliation Process

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

September 18, 2009

BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Gary L. Riggs	County Judge/Executive
Matthew Clark Hennessey, Jr.	Magistrate
Neil Brumley	Magistrate
David Kelsch	Magistrate
Scotty Lippert, Jr.	Magistrate
Timothy Figgins	Magistrate
Dennis Jefferson	Magistrate
Perry Poe	Magistrate
Carl Allen, Jr.	Magistrate

Other Elected Officials:

Michael Clark	County Attorney
James Cox	Jailer
Rae Jean Poe	County Clerk
Kathy B. Free	Circuit Court Clerk
Charles Rehtin	Sheriff
Tracey Florer	Property Valuation Administrator
John G. Parker	Coroner

Appointed Personnel:

Judith F. Brothers	County Treasurer
Tina Teegarden	Finance Officer
Stacey Florer	Road Supervisor
Tony Mains	911 Administrator

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BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,741,774
Total Current Assets	<u>2,741,774</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	5,427
Land and Land Improvements	124,117
Buildings	1,367,019
Vehicles	217,188
Equipment	376,524
Infrastructure	1,556,831
Total Noncurrent Assets	<u>3,647,106</u>
Total Assets	<u>6,388,880</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	46,000
Noncurrent Liabilities:	
Financing Obligations	<u>380,000</u>
Total Liabilities	<u>426,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,221,106
Unrestricted	<u>2,741,774</u>
Total Net Assets	<u><u>\$ 5,962,880</u></u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,093,985	\$ 30,459	\$ 104,638	\$ 272,228
Protection to Persons and Property	377,466	63,010	62,156	
General Health and Sanitation	412,005	1,530		
Social Services	2,261			
Recreation and Culture	21,248			
Roads	741,298	209,550	663,755	
Bus Services	22,087			
Transportation Facilities and Road			147,767	
Interest On Long Term Debt	21,643		24,600	
Capital Projects	6,197			
Total Governmental Activities	2,698,190	304,549	1,002,916	272,228
Total Primary Government	\$ 2,698,190	\$ 304,549	\$ 1,002,916	\$ 272,228

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net Assets</u> <u>Primary Government</u>	
<u>Governmental</u> <u>Activities</u>	
\$	(686,660)
	(252,300)
	(410,475)
	(2,261)
	(21,248)
	132,007
	(22,087)
	147,767
	2,957
	<u>(6,197)</u>
	<u>(1,118,497)</u>
	<u>(1,118,497)</u>
	951,865
	55,301
	77,506
	487,633
	59,329
	141,204
	<u>18,191</u>
	<u>1,791,029</u>
	672,532
	<u>5,290,348</u>
\$	<u><u>5,962,880</u></u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BRACKEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,935,175	\$ 653,066	\$ 153,533	\$ 2,741,774
Total Assets	<u>1,935,175</u>	<u>653,066</u>	<u>153,533</u>	<u>2,741,774</u>
FUND BALANCES				
Reserved for:				
Encumbrances	75,261	37,618	5,395	118,274
Unreserved:				
General Fund	1,859,914			1,859,914
Special Revenue Funds		615,448	148,138	763,586
Total Fund Balances	<u>\$ 1,935,175</u>	<u>\$ 653,066</u>	<u>\$ 153,533</u>	<u>\$ 2,741,774</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 2,741,774
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	5,456,008
Accumulated Depreciation	(1,808,902)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not	
Reported In The Funds.	
Financing Obligations	<u>(426,000)</u>
Net Assets Of Governmental Activities	<u>\$ 5,962,880</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Federal Grants Fund	Non- Major Governmental Funds
REVENUES				
Taxes	\$ 1,373,900	\$	\$	\$ 85,767
In Lieu Tax Payments	302			
Excess Fees	59,329			
Intergovernmental	277,133	809,355	272,228	229,423
Charges for Services	1,530			63,010
Miscellaneous	126,203	67,500		11,451
Interest	12,408	5,122		661
Total Revenues	<u>1,850,805</u>	<u>881,977</u>	<u>272,228</u>	<u>390,312</u>
EXPENDITURES				
General Government	515,436			11,201
Protection to Persons and Property	75,053			295,800
General Health and Sanitation	116,329		272,228	19,500
Social Services	1,000			
Recreation and Culture	17,902			
Roads		560,951		40,578
Bus Services	22,087			
Debt Service	82,413	7,830		
Capital Projects	5,427	6,197		
Administration	390,606	143,317		43,813
Total Expenditures	<u>1,226,253</u>	<u>718,295</u>	<u>272,228</u>	<u>410,892</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>624,552</u>	<u>163,682</u>		<u>(20,580)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds				70,000
Transfers To Other Funds	(70,000)			
Total Other Financing Sources (Uses)	<u>(70,000)</u>			<u>70,000</u>
Net Change in Fund Balances	554,552	163,682		49,420
Fund Balances - Beginning	1,380,623	489,384		104,113
Fund Balances - Ending	<u>\$ 1,935,175</u>	<u>\$ 653,066</u>	<u>\$ 0</u>	<u>\$ 153,533</u>

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS (Continued)
For The Year Ended June 30, 2009

Total Governmental Funds
\$ 1,459,667
302
59,329
1,588,139
64,540
205,154
18,191
<u>3,395,322</u>
526,637
370,853
408,057
1,000
17,902
601,529
22,087
90,243
11,624
<u>577,736</u>
<u>2,627,668</u>
<u>767,654</u>
70,000
<u>(70,000)</u>
767,654
1,974,120
<u>\$ 2,741,774</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change In Fund Balances - Total Governmental Funds	\$ 767,654
<p>Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because :</p> <p>Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.</p>	
Capital Outlay	135,891
Depreciation Expense	(258,879)
Assets Disposed Of, Net Book Value	(16,134)
<p>Financing Obligation Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. However, At The Government-Wide Level, These Transactions Have No Impact On Net Assets.</p>	
Financing Obligations-Principal Payments	<u>44,000</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 672,532</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Bracken County Public Properties Corporation

The Bracken County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. There was no financial activity for the Public Properties Corporation in the fiscal year ended June 30, 2009.

C. Bracken County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Bracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bracken County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Federal Grants Fund - The purpose of this fund is to account for expenditures funded by federal grants.

The government also has the following non-major funds: Dispatch/911 Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Senior Citizens Fund, and Special Fund.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, State Grants Fund, Dispatch/911 Fund, Senior Citizen Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings, vehicles, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50
Intangibles	\$ 2,500	2-40
Vehicles	\$ 2,500	6-10

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there are no related organizations of Bracken County Fiscal Court.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Augusta-Brooksville-Bracken County Industrial Authority is a joint venture of the Bracken County Fiscal Court.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, \$81,328 of the primary government's public funds were exposed to custodial credit risk because the bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$81,328

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 124,117		\$	\$ 124,117
Construction In Progress		5,427		5,427
Total Capital Assets Not Being Depreciated	124,117	5,427		129,544
Capital Assets, Being Depreciated:				
Buildings	1,579,120			1,579,120
Vehicles	469,543	58,581	(53,780)	474,344
Equipment	1,149,155	36,000		1,185,155
Infrastructure	2,051,962	35,883		2,087,845
Total Capital Assets Being Depreciated	5,249,780	130,464	(53,780)	5,326,464
Less Accumulated Depreciation For:				
Buildings	(191,563)	(20,538)		(212,101)
Vehicles	(261,251)	(33,551)	37,646	(257,156)
Equipment	(742,539)	(66,092)		(808,631)
Infrastructure	(392,316)	(138,698)		(531,014)
Total Accumulated Depreciation	(1,587,669)	(258,879)	37,646	(1,808,902)
Total Capital Assets, Being Depreciated, Net	3,662,111	(128,415)	(16,134)	3,517,562
Governmental Activities Capital Assets, Net	\$ 3,786,228	\$ (122,988)	\$ (16,134)	\$ 3,647,106

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 25,612
Protection to Persons and Property	32,834
General Health and Sanitation	23,409
Social Services	1,261
Recreation and Culture	3,346
Roads, Including Depreciation of General Infrastructure Assets	<u>172,417</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 258,879</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt

A. Capital Lease - Courthouse Addition and Wheel Loader

Bracken County entered into a fifteen-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement calls for an annual principal payment due each January 20. Interest payments are to be made monthly. The remaining principal balance of this lease as of June 30, 2009 was \$426,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 46,000	\$ 18,734
2011	48,000	16,577
2012	50,000	14,329
2013	52,000	11,987
2014	54,000	9,555
2015-2017	176,000	13,062
Totals	<u>\$ 426,000</u>	<u>\$ 84,244</u>

B. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 470,000</u>	<u>\$</u>	<u>\$ 44,000</u>	<u>\$ 426,000</u>	<u>\$ 46,000</u>
Governmental Activities Long-term Liabilities	<u>\$ 470,000</u>	<u>\$ 0</u>	<u>\$ 44,000</u>	<u>\$ 426,000</u>	<u>\$ 46,000</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$21,643 in interest on financing obligations.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2009, Bracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Pending Litigation

Bracken County has been sued in Federal District Court from an incident which occurred on or about May 31, 2009. The complaint arises out of a shooting in Bracken County where the State Police and the Bracken County Sheriff's Department killed an individual. The range of potential loss (if any) as a result of an unfavorable result in this matter cannot be estimated with any accuracy. The County of Bracken has referred this case to its insurance carrier and they have assigned an attorney.

Note 9. Subsequent Event

On April 22, 2009, Bracken County Fiscal Court created a Public Properties Corporation for the purpose of funding the construction of a Justice Center. This agreement authorizes the issuance of \$18,500,000 in revenue bonds. In September 2009, Bracken County Public Properties Corporation issued \$3,000,000 in Bond Anticipation Notes, Series 2009.

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BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,041,000	\$ 1,041,000	\$ 1,373,900	\$ 332,900
In Lieu Tax Payments			302	302
Excess Fees	6,200	6,200	59,329	53,129
Intergovernmental Revenue	154,040	154,040	252,533	98,493
Charges for Services	1,400	1,400	1,530	130
Miscellaneous	9,400	9,400	126,203	116,803
Interest	5,200	5,200	12,408	7,208
Total Revenues	<u>1,217,240</u>	<u>1,217,240</u>	<u>1,826,205</u>	<u>608,965</u>
EXPENDITURES				
General Government	526,021	584,895	515,436	69,459
Protection to Persons and Property	94,280	98,280	75,053	23,227
General Health and Sanitation	114,511	141,742	116,329	25,413
Social Services	1,000	1,000	1,000	
Recreation and Culture	21,200	21,200	17,902	3,298
Bus Services	27,000	27,000	22,087	4,913
Debt Service	39,778	39,778	57,813	(18,035)
Capital Projects		5,808	5,427	381
Administration	1,245,988	1,134,875	390,606	744,269
Total Expenditures	<u>2,069,778</u>	<u>2,054,578</u>	<u>1,201,653</u>	<u>852,925</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(852,538)</u>	<u>(837,338)</u>	<u>624,552</u>	<u>1,461,890</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	25,000	25,000		(25,000)
Transfers To Other Funds	<u>(158,629)</u>	<u>(158,629)</u>	<u>(70,000)</u>	<u>88,629</u>
Total Other Financing Sources (Uses)	<u>(133,629)</u>	<u>(133,629)</u>	<u>(70,000)</u>	<u>63,629</u>
Net Changes in Fund Balance	(986,167)	(970,967)	554,552	1,525,519
Fund Balance - Beginning	<u>986,167</u>	<u>986,167</u>	<u>1,380,623</u>	<u>394,456</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 15,200</u>	<u>\$ 1,935,175</u>	<u>\$ 1,919,975</u>

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 837,708	\$ 837,708	\$ 809,355	\$ (28,353)
Miscellaneous	41,000	41,000	67,500	26,500
Interest	5,268	5,268	5,122	(146)
Total Revenues	883,976	883,976	881,977	(1,999)
EXPENDITURES				
Roads	1,032,389	1,060,264	560,951	499,313
Debt Service	7,830	7,830	7,830	
Capital Projects	6,000	6,197	6,197	
Administration	299,104	271,032	143,317	127,715
Total Expenditures	1,345,323	1,345,323	718,295	627,028
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(461,347)	(461,347)	163,682	625,029
Net Changes in Fund Balance	(461,347)	(461,347)	163,682	625,029
Fund Balance - Beginning	461,347	461,347	489,384	28,037
Fund Balance - Ending	\$ 0	\$ 0	\$ 653,066	\$ 653,066

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 500,000	\$ 500,000	\$ 272,228	\$ 227,772
Total Revenues	500,000	500,000	272,228	227,772
EXPENDITURES				
General Health and Sanitation	500,000	500,000	272,228	227,772
Total Expenditures	500,000	500,000	272,228	227,772
Net Changes in Fund Balances				
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0

BRACKEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation To The Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds – Modified Cash Basis**

General

Total Revenues - Budgetary Basis	\$ 1,826,205
Principal and Interest Paid by State for Courthouse Addition	<u>24,600</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 1,850,805</u></u>
Total Expenditures-Budgetary Basis	\$ 1,201,653
Principal and Interest Paid by State for Courthouse Addition	<u>24,600</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 1,226,253</u></u>

BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Dispatch/ 911 Fund	Jail Fund	LGEA Fund	State Grants Fund	Senior Citizens Fund
ASSETS					
Cash and Cash Equivalents	\$ 33,576	\$ 3,449	\$ 40,270	\$ 10,061	\$ 6,422
Total Assets	<u>33,576</u>	<u>3,449</u>	<u>40,270</u>	<u>10,061</u>	<u>6,422</u>
FUND BALANCES					
Reserved for:					
Encumbrances	2,534	2,861			
Unreserved:					
Special Revenue Funds	<u>31,042</u>	<u>588</u>	<u>40,270</u>	<u>10,061</u>	<u>6,422</u>
Total Fund Balances	<u>\$ 33,576</u>	<u>\$ 3,449</u>	<u>\$ 40,270</u>	<u>\$ 10,061</u>	<u>\$ 6,422</u>

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information (Continued)
June 30, 2009

Special Fund	Total Non-Major Governmental Funds
<u>\$ 59,755</u>	<u>\$ 153,533</u>
<u>59,755</u>	<u>153,533</u>
	5,395
<u>59,755</u>	<u>148,138</u>
<u>\$ 59,755</u>	<u>\$ 153,533</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Dispatch/ 911 Fund	Jail Fund	LGEA Fund	State Grants Fund
REVENUES				
Taxes	\$ 85,767	\$	\$	\$
Intergovernmental	95,032	62,156	52,735	19,500
Charges for Services	17,700	45,310		
Miscellaneous		30		
Interest	54	30	35	
Total Revenues	<u>198,553</u>	<u>107,526</u>	<u>52,770</u>	<u>19,500</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	156,177	139,623		
General Health and Sanitation				19,500
Roads			40,578	
Administration	23,800	20,013		
Total Expenditures	<u>179,977</u>	<u>159,636</u>	<u>40,578</u>	<u>19,500</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>18,576</u>	<u>(52,110)</u>	<u>12,192</u>	
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	15,000	52,000		
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>52,000</u>		
Net Change in Fund Balances	33,576	(110)	12,192	
Fund Balances - Beginning		3,559	28,078	10,061
Fund Balances - Ending	<u>\$ 33,576</u>	<u>\$ 3,449</u>	<u>\$ 40,270</u>	<u>\$ 10,061</u>

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Senior Citizens Fund	Special Fund	Total Non-Major Governmental Funds
	\$	\$ 85,767
		229,423
		63,010
11,421		11,451
4	538	661
<u>11,425</u>	<u>538</u>	<u>390,312</u>
11,201		11,201
		295,800
		19,500
		40,578
		43,813
<u>11,201</u>		<u>410,892</u>
<u>224</u>	<u>538</u>	<u>(20,580)</u>
<u>3,000</u>		<u>70,000</u>
<u>3,000</u>		<u>70,000</u>
3,224	538	49,420
3,198	59,217	104,113
<u>\$ 6,422</u>	<u>\$ 59,755</u>	<u>\$ 153,533</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable Gary L. Riggs, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 18, 2009. Bracken County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bracken County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bracken County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bracken County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And The Bank Reconciliation Process

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bracken County's financial statements as of and for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Bracken County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

September 18, 2009

**BRACKEN COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And The Bank Reconciliation Process

A lack of adequate segregation of duties exists over receipts and the bank reconciliations. All receipts are received in the Judge/Executive's office and are given to the County Treasurer. The Treasurer makes deposits and posts to the receipts ledger. Also, the Treasurer reconciles the bank accounts.

Segregation of duties over receipts and bank reconciliations or implementation of compensating controls, when limited by the number of staff, is essential for providing protection from the misappropriation of assets and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court segregate the duties of receipts and bank reconciliations or implement compensating controls to provide oversight to the employee responsible for these duties. The employee providing this oversight should document his or her review by initialing source documents. Examples of compensating controls are:

- A person independent of cash receipts and disbursements reviews the bank reconciliation prepared by the Treasurer.
- An independent person prepares the bank reconciliation.
- An independent person receives the unopened bank statement and reviews for unusual items before it is given to the reconciler.

Judge/Executive Gary L. Riggs' Response: Judge will review and initial bank reconciliations prepared by the Treasurer.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BRACKEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

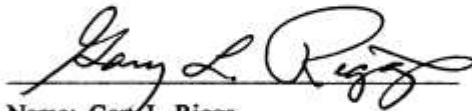
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BRACKEN COUNTY FISCAL COURT

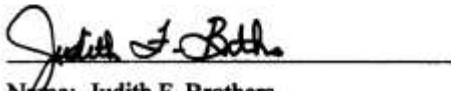
Fiscal Year Ended June 30, 2009

The Bracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Gary L. Riggs", written over a horizontal line.

Name: Gary L. Riggs

County Judge/Executive

A handwritten signature in black ink, appearing to read "Judith F. Brothers", written over a horizontal line.

Name: Judith F. Brothers

County Treasurer

